



ITALY BEST PROSPECT INDUSTRY SECTOR PROFILE

Sector Name: **MANAGEMENT CONSULTING SERVICES**

ITA Industry Code: MCS

The Italian market for management consulting was estimated at \$2.04 billion in 2002 (excluding earnings additional to fee income, such as software licenses, etc.). After experiencing growth up until 2001, with yearly increases of 15 percent or more, the sector was negatively impacted in 2002 by the global economic slowdown. Nevertheless, the outlook for this sector is positive. Human resource management consulting accounts for nearly 31 percent of total revenues, corporate strategy consulting about 25 percent, operations management consulting 24 percent and information technology consulting 18 percent. Among the biggest users of management consulting services are the banking sector (20 percent of the market), wholesale and retail (14 percent), consumer goods (11 percent), and non-profit organizations and government (10 percent).

Italy remains a low consulting-intensive market. The market is comprised of about 3,100 firms with nearly 23,500 people, and is divided among global competitors (most of which are U.S. origin) offering a full-range of state-of-the-art products, a few "national champions," and a number of local or niche players and "gurus". Concentration is lower than in other European countries, with the top 20 firms taking less than 40 percent of overall fee revenues.

Most big multinational consulting firms are well established in the Italian market. Multinational firms make up as much as 55 percent of the market, and U.S. firms about one-third. The largest consulting firm in Italy is Accenture, which employs over 4,000 people. In addition to consulting, Accenture (like other important consulting firms) provides technology and solutions in the area of information services, as well as outsourcing services in the area of administration and financial control.

Issues such as e-business, implementation and enhancement of CRM systems, globalization/internationalization, mergers and acquisitions are key demand drivers of management consulting services, with both private and public organizations offering opportunities. Public service companies and government agencies are slowly but steadily re-organizing and reviewing their operations to achieve higher efficiency. In particular, utility companies -- which used to hold monopoly positions in the telecommunications, energy, and transportation sectors -- are now faced with challenging liberalization and privatization processes. The financial sector also offers opportunities, due to consolidation of banking products and to a need for control systems in financial services. Solid knowledge of the local regulatory environment and market conditions, as well as unique know-how in specialized sectors/functions and adequate international experience have become pre-conditions for effectively competing in this market. American consulting firms considering entering the Italian market should explore the possibility of teaming up with Italian partners.

Data Table:

(USD Millions)	2001 (actual)	2002 (actual)	2003 (estimated)
Total Market Size	1,915	2,042	2,511
Sales by Local Firms	940	1,003	1,271
Exports by Local Firms	115	123	150
Sales by Foreign-owned Firms	1,090	1,162	1,390
Sales by U.S.-owned Firms	640	682	830
Exchange rate \$1=euro	1.117	1.057	0.877

The above statistics are unofficial estimates.